



OFFICE OF THE
HEALTH INSURANCE COMMISSIONER
STATE OF RHODE ISLAND

May 16, 2007

John Lynch
Chief Actuary
Blue Cross & Blue Shield of Rhode Island
444 Westminster Mall
Providence, RI 02903-3279

Re: Claims Projections and Reserve Factors Applicable to Blue Cross & Blue Shield of Rhode Island's Large Group subscription Rate Renewals for October 1, 2007 through December 1, 2008

Dear Mr. Lynch:

The Office of the Health Insurance Commissioner has examined the above-referenced filing and accompanying affordability report. The Office has several concerns about the affordability report, as well as the BCBSRI's intention to file its projected large group trends, costs and contributions to surplus on an annual basis. Those concerns are addressed below.

With respect to BCBSRI's projected large group trends, costs and contributions to surplus, the filing meets the minimum standards set out in applicable statutes, regulations and regulatory guidance. Accordingly, your request for the rating factors specified in the exhibits attached to the above-referenced letter is approved for the period October 1, 2007 to March 30, 2008.

BCBSRI should submit a separate request for large group subscription rate renewals for subsequent periods. This Office is planning to standardize the process and requirements for renewing large group rating factors for all carriers in this market. This will require oversight earlier than would be possible if these factors were approved for the full year requested. In addition, this Office has concerns about approving BCBSRI's requested contribution to reserves for a full year, as BCBSRI's surplus levels are near, or have met, recommended targets established OHIC examiners.

With regard to BCBSRI's obligation to submit an Affordability Plan, this Office requests that an updated BCBSRI Affordability Plan for 2007 (rather than just an update report to the existing plan) be submitted as part of its next request for large group

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subscription rate renewals (presumably in October of 2007), using guidance provided in the appendix to this letter.

If you have any questions, please feel free to call me.

Very truly yours,

A handwritten signature in cursive script, reading "Christopher F. Koller".

Christopher F. Koller
Health Insurance Commissioner